

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 2843 - SB 2929

March 1, 2010

SUMMARY OF BILL: Creates a Class E felony for any person who knowingly prepares, sets-up, proposes, or operates a pyramid scheme. Requires every multilevel distribution company to provide a distributor agreement that may be cancelled for any reason, at any time by the participant, provide participants with an income disclosure statement, and notify the Attorney General, in writing, of the designation of the Secretary of State as the agent for service of process for any violations. Prohibits any multilevel distribution company from requiring participants to purchase products, services, or pay any money to participate in the marketing program; establish opportunities for financial gains that are dependant on down-line distributor's consumption of goods or services; or payment of finder's fee. Violations are punishable with fines up to \$10,000, a minimum of one year in prison, or both as well as a Class B misdemeanor under the Tennessee Consumer Protection Act of 1977.

ESTIMATED FISCAL IMPACT:

Increase State Revenue - Not Significant

Increase State Expenditures - \$9,500/Incarceration*

Increase Local Revenue – Not Significant

Increase Local Expenditures – Not Significant

Assumptions:

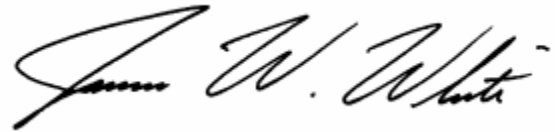
- According to the Department of Correction, the average operating cost per offender per day for calendar year 2010 is \$59.86.
- The Department estimates one additional Class E felony conviction every three years for a person who knowingly prepares, sets-up, proposes, or operates a pyramid scheme.
- According to the U.S. Census Bureau, population growth in Tennessee has been 1.12 percent per year for the past 10 years, yielding a projected compound population growth of 11.78 percent over the next 10 years. No significant incarceration cost increase will occur due to population growth in this period.
- The maximum cost in the tenth year as required by Tenn. Code Ann. § 9-4-210, is based on one offender every three years. According to the Department, the average post-conviction time served for a Class E felony is 1.31 years (478.48 days). The annualized cost per conviction is \$9,451.79 (0.33 annual number of convictions x 478.48 days x \$59.86).

- A small increase in cases in the court system, which will result in additional state and local government expenditures for processing the cases and additional state and local government revenue from fees, taxes and costs collected. These expenditures and revenue are estimated to be not significant.

**Tennessee Code Annotated, Section 9-4-210, requires that: For any law enacted after July 1, 1986, which results in a net increase in periods of imprisonment in state facilities, there shall be appropriated from recurring revenues the estimated operating cost of such law. The amount appropriated from recurring revenues shall be based upon the highest cost of the next 10 years.*

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "James W. White". The signature is fluid and cursive, with the first name "James" written in a larger, more prominent script than the last name "White".

James W. White, Executive Director

/sdl